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Coffee seedlings in Brazil

U.S. Livestock Exports Up in 1977

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New coffee seedlings in the Brazilian State of Parana, where huge numbers of coffee trees were destroyed during Brazil's devastating frost of July 1975. See page 6 for a look at production and trade prospects for coffee and other leading Brazilian crops.

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U.S. Livestock Exports To Be Up in 1977

By K. SUZANNE EARLY
Foreign Commodity Analysis—Dairy, Livestock, and Poultry
Foreign Agricultural Service

THE YEAR 1977 should be another good one for U.S. livestock trade, with the value of livestock and livestock product exports expected to rise by an estimated $35 million over last year's. Higher per unit values for cattle hides—the No. 1 industry export in 1976—are expected to more than offset declines forecast in pork export values and in volume of live animal shipments.

USDA estimates livestock and livestock products shipments in fiscal 1977 to be nearly $1.9 billion, compared with $1.85 billion in fiscal 1976, when these exports ranked third as an earner of foreign exchange behind grain and feed and oilseeds.

The value of U.S. livestock imports in fiscal 1977 is expected to be about equal to 1976's $2 billion figure. Reduced U.S. imports of live cattle from Canada and of processed beef from Argentina are expected to offset higher imports of fresh, chilled, and frozen beef. This will reduce the U.S. livestock trade deficit to about $130 million—$40 million less than in 1976.

Consistently, the United States most important livestock product exports have been (and most likely will continue to be in the near future) cattle hides, inedible tallow, furskins, and variety meats. The United States currently exports roughly 10 percent of its variety meat, 45 percent of its animal fat, and 40 percent of its hides and skins production.

U.S. cattle hide trade is expected to continue strong in 1977, as world demand for leather increases and other major world producers of cattle continue to restrict exports of raw and semi-finished hides. Total hides and skins exports in fiscal 1977 are projected at 50 million pieces—valued at $750 million. Although export totals will not increase over last year's volume, the value is substantially higher than the $626 million of fiscal 1976, owing to an anticipated rise of $3.45 per piece. Principal markets for the hides and skins trade are Japan, Korea, and Mexico.

With some recovery in economic activity in Western Europe, the export picture for U.S. tallow and grease changed substantially from the depressed one of 1975. Total exports for fiscal 1977 are projected at roughly 1.089 million metric tons—valued at $385 million—somewhat above the approximately 907,252 tons—valued at $363 million—shipped in fiscal 1976.

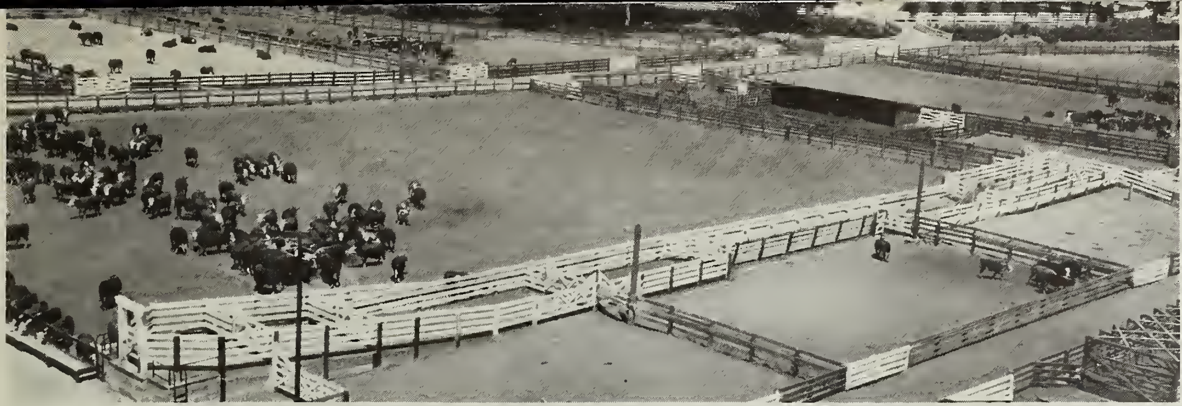
Purchases of U.S. tallow by the European Community (EC) doubled in value between 1975 and 1976 as a result of lower EC domestic supplies, a pickup in demand for fatty acids for industrial use in plastics and automobile tires, and an improvement in the ghee or margarine market caused by declines in EC domestic production.

However, U.S. tallow exports to Japan—historically the major U.S. tallow market—are likely to decline in the future as a result of increased Japanese imports of competitively priced palm oil and cheaper Australian tallow. Competition from palm oil, which is chemically more similar to tallow and grease than other important fats and oils, is not strong in the EC market because of high duties.

Although the United States is the world's largest producer and importer of beef and veal, it has never been a large exporter. Only about 0.2 percent of U.S. production moves into world trade, which traditionally has been trade with Canada and the Caribbean. However, efforts are being made to increase the U.S. share of meat export trade—attempts that are often blunted by import restrictions in other countries.

In 1976, however, the most dramatic increase in export volumes occurred in shipments of beef, veal, and pork to Japan and Canada. In the early 1970's, the United States began to develop a market for its choice grade beef in Japan. Average yearly exports to Japan until 1973 were only about 680 tons, entering the country under a special hotel and restaurant trade quota.

In 1973—as the U.S. product be-



Left, U.S. feeder cattle. Below, U.S. beef breeding cattle on display in Japan. Bottom, promotion of U.S. beef cuts in Tokyo. The majority of U.S. beef exports to Japan are of boneless cuts for the hotel and restaurant trade.

came more competitively priced than Australian beef—exports jumped to 15,876 tons. U.S. export trade to Japan was interrupted in 1974 and 1975, however, owing to virtual import embargoes imposed while the Japanese livestock industry adjusted to excess production and falling consumer demand caused by inflationary pressures. But in 1976, Japan expanded beef import quotas and the U.S. share of the total returned to the record shipment level of 1973. Export prospects for future shipments are bright as economic activity improves.

The majority of U.S. beef exports to Japan are of boneless cuts such as strip loins, tenderloins, and ribs. The bulk of this beef is used in the hotel and restaurant trade, but some has begun to enter retail outlets.

Following 2 years of restricted cross-border trade between the United States and Canada owing to quotas and DES (diethylstibesterol) certification difficulties, U.S. beef and veal exports to Canada returned to more normal levels of 8,600 tons in 1976. Here again, U.S. shipments are primarily for use in Canadian hotels and restaurants.

Exports of U.S. beef and veal to Canada in 1977 are forecast to rise significantly. Canada announced that beef and veal imports will be limited to 65,772 tons. Of this total, New Zealand is allocated 27,669 tons, Australia 26,762 tons, and the United States 11,340 tons. This import policy, along with cattle herd adjustments that have taken place in the past 2 years, should help improve Canadian prices and return U.S.-Canada trade to normal levels.

Owing to the removal of Japanese import duties during most of the year, total U.S. pork exports reached a record level of 137,500 tons in 1976. Increased pork trade with Canada—particularly of backs and loins to substitute for Canadian shipments of these cuts to Japan—also contributed to the high export total.

In 1977, however, the pork export outlook will not be as bright, as shipments are expected to decline substantially owing to Japan's domestic pork surplus and the reinstitution of high import duties.

In order to develop and maintain markets for U.S. meat and meat products in Japan and Europe, USDA signed a cooperative agreement with the U.S. Meat Export Federation (MEF) in March 1976. Under the agreement, the Foreign Agricultural Service will assist the MEF in attaining these goals. Efforts will be made to reduce or eliminate restrictions and quotas other countries have regarding meat imports in order to gain more reciprocally equitable conditions for U.S. meat and meat products.

In Japan, for example, obstacles to U.S. exports are beef import quotas and variable duties on pork. Variety meat trade, however, is not subject to either of these restrictions and is expanding to the point that U.S. exports in 1976 were to reach 13,608 tons.

The EC also has barriers to U.S. meat imports. The countries that make up the EC are—in aggregate—traditionally large producers, exporters, and importers of red meat. Under the evolution of the Common Agricultural Policy (CAP), the EC has become highly protectionist. Domestic beef production is encouraged and supported by an orientation and intervention price system.

Currently, the EC orientation price for 100 kilograms of live animal is \$158—more than double the average market price of U.S. cattle in October. The intervention price—the price at which the EC removes beef from the market and places it in storage—is 90 percent of the orientation price.

The EC domestic market is protected both by the levies and a Common External Tariff of 20 percent, ad valorem. Levies are removed when domestic prices reach 106 percent of the orientation price and are fully reimposed when domestic prices fall to the orientation price.

Despite these high levels of border protection, the EC embargoed beef and slaughter cattle imports in July 1974. This was followed by an export/import system by which the EC meat trade was entitled to import one unit of beef if it was matched by one unit of beef exports. This was later modified to allow the import of two units of beef for one unit exported.

A subsequent modification—and the one currently in force—is the *jumelage* system, which permits the import of one unit of beef for each unit of intervention beef that is either sold domestically or exported.

Owing to the difficulties attendant upon the sale of intervention beef,

which—on the whole—is of low quality, the *jumelage* system has the practical effect of a rather limited import quota system. Under the restrictive nature of this system, imports of beef in 1976 were only about 97,000 tons of mid-November.

Export subsidies encourage the export of certain types or cuts of beef. Thus, traditional exporting nations are not only severely limited in their access to the EC market, but occasionally encounter EC subsidized competition in third country markets.

On April 1, 1977, the EC will return to the levy system for regulating beef imports, but it, too, will be more restrictive than pre-1974 arrangements. When internal cattle prices fall to certain levels below the guide price, the levy will be 14 percent higher than under the old system. (Under present market conditions, the price of frozen beef carcasses delivered to West Germany would be about $1.35 per kg. The levy under the new system, if it were in effect now, would be 1.3 times the import price; adding the 20 percent duty charged on fresh, chilled, or frozen beef and veal, the total duty would be 1.5 times the import price.)

The EC also protects its domestic pork industry through a gate price (essentially a minimum import price system that reflects the higher cost of grain within the EC vis-á-vis world grain prices) and a levy system that assures enforcement of the gate price. The minimum import price, in addition to reflecting differential grain prices, includes a built-in preference for the EC producer. Exports of pork products to third countries also are subsidized.

In addition to both duties and levies on beef and pork, the United States faces animal health and sanitary restrictions in exporting to the EC.

Access to the U.K. market for pork and pork offals will not be possible until March 1, 1978, when the United States is expected to have been free of hog cholera outbreaks for 18 months.

U.S. access to the West German market has been restricted by veterinary regulations requiring separate slaughter facilities for suspect animals, annual health checkups for employees, provision for the cleaning and disinfecting of livestock transport vehicles, and a separate room for evisceration. Prior to 1974, West Germany was the major U.S. market for pork livers, but trade has dropped to practically zero in recent years because of veterinary restrictions.

In 1976, only 14 U.S. meat packing plants were approved for export to West Germany and it is hoped that more will be added in 1977. These plant approvals are substantially aiding U.S. variety meat exports to West Germany and will also help in developing a market there for U.S. beef in the hotel and restaurant trade.

In addition to looking at the above problems, the Meat Export Federation in a market there for U.S. beef. U.K. consumers are accustomed to Scottish beef, which is closely related to U.S. grain-fed beef. Efforts will also be made by the MEF to develop better markets for U.S. beef and other meats in continental Europe.

While many countries continue to impose import restrictions, thus limiting U.S. meat export shipments, the United States has more liberal import policies. In fiscal 1976, U.S. imports of livestock and livestock products (excluding dairy and poultry) were valued at $2 billion—exceeded in value only by noncompetitive agricultural imports of coffee, cocoa, and tea.

Like the EC, the United States also applies health and sanitary regulations to imports, but the only quantitative control applicable to imports is the 1964 Meat Import Law, Public Law 88-482. Imports of pork, lamb, and prepared and preserved beef and veal are not subject to the limitations provided for in this Law. However, imports of fresh, chilled, or frozen beef, veal, mutton, and goat meat—accounting for about 70 percent of U.S. meat imports—are subject to its provisions.

Roughly 68,040 tons of canned or cooked frozen beef are imported, primarily from Argentina and Brazil. Owing to U.S. animal health regulations concerning foot-and-mouth disease, these countries can supply only cooked products to the United States.

The Meat Import Law allows a minimum quantity of fresh, chilled, or frozen beef, veal, mutton, and goat meat to enter the United States annually—a quantity dictated by a formula in the Law itself and equal to about 7 percent of domestic production and termed the adjusted base quantity.

Should annual imports of these meats equal or exceed 110 percent of the adjusted base quantity, the President is required to invoke quotas, but he may not reduce imports below the adjusted base level. For 1977, the adjusted base quantity is 528,441 tons and 110 percent of that quantity, which is the trigger level for quota imposition, is 581,511 tons.

The world meat situation and trade developments play a major role in determining U.S. meat import policy. In 1977, world production of beef and veal is estimated to decline from record levels of the past 2 years. While these production adjustments should bring some improvement in cattle prices in key commercial markets of the United States, EC, Japan, and Canada, it is doubtful if the EC and Japan will liberalize import policies significantly.

High stock levels in the EC will also be a deterrent to increased imports. The restrictive import policies of these two countries during the past 3 years have increased the burden of production adjustments in major exporting countries such as Australia and New Zealand and in the United States.

In order that the United States not become a dumping ground for foreign beef, the Departments of State and Agriculture have developed a program of voluntary restraint agreements with supplying countries to keep imports within the bounds prescribed by the Meat Import Law.

A recent significant development that may alter world beef trade in 1977 is the large purchases of beef, mutton, and poultry by the USSR and East European countries from Western countries. As of March 1, the USSR has purchased about 85,000 tons of red meat and 23,000 tons of broilers for delivery in 1977.

Poland has purchased about 54,000 tons of beef—primarily from Australia, New Zealand, and Argentina—for delivery in the first half of 1977.

Another aspect of U.S. import trade that is of concern is that of live cattle imports. In 1976, nearly 984,000 head of cattle were imported into the United States from Canada (48 percent of cattle imports) and Mexico (52 percent). U.S. imports from Canada were primarily of slaughter cows, while most of the entries from Mexico were of feeders—more than half of which entered in the last 2 months of the year.

Greek Farm Policy Goals: More Output, Land Allocation

The Greek Government has issued guidelines for its 1976/77 farm program, and longer range objectives of its agricultural policy. The new farm program, announced in late 1976, seeks increased production of corn, barley, oriental tobacco, cotton, edible pulses, industrial tomatoes, and spring potatoes.

Rice output is to be reduced, while sugarbeets and wheat crops are to be maintained at last year's levels—but, with some increases in Durum wheat at the expense of soft wheat, according to Wilferd L. Phillipsen, U.S. Agricultural Attaché in Athens.

Greece's long-term farm policy calls for distribution of 10,000 hectares of reclaimed land and 150,000 hectares of idle land to landless farmers, higher productivity on 500,000 to 600,000 hectares of communal and privately owned land, encouragement of land consolidation, and marketing and research improvements.

The purpose of Greece's new farm policy goals is to help reduce its balance-of-trade deficit, which was projected to increase to a preliminary $3.3 billion in 1976 from about $3 billion in 1975. However, Greece registered agricultural trade surpluses of about $181 million in 1975 and about $112 million in 1974.

Any gain in Greece's agricultural production could eventually adversely affect its agricultural imports from the United States, particularly corn. In 1975 (the last year of available statistics), Greece's imports of U.S. farm products totaled about $176 million, including $135 million in corn.

To achieve its farm goals, the Government is promising higher support prices, greater financial assistance, and more subsidies for farm inputs. However, no specific support prices were listed by the Government at the time of its program and policy announcements. The Government has recently announced the 1977 support price for corn at $163 per ton, up about 10 percent from the previous year. However, this increase is not considered to be enough to alter significantly the 1977 area planted to corn or corn production, according to Phillipsen.

Because Greek corn production has stagnated the last 3 years, at around 540,000 metric tons annually, a special effort is being made to increase 1977 corn plantings from the 132,000 hectares of 1976. If successful, this would stop a 15-year downward trend in corn hectareage. On the other hand, corn production has almost doubled from 1960 to 1976, because of a switch from local varieties to the use of hybrid corn, and increased irrigated areas. Yields have shot upward from 1.37 metric ton per hectare in 1960 to almost 4.2 in 1976.

Corn hectareage after 1977 will increase as a result of continually increasing support prices, continuing subsidy payments for the second corn crop and corn silage, subsidies for the purchase of silage equipment and corn driers, and encouragement of wider use of hybrid seed corn and better cultivation practices.

The Government is trying to reduce corn imports, which have been running about 1 million tons annually over the past 3 years. All of these have come from the United States, and some have been assisted by Commodity Credit Corporation (CCC) credit.

Greece is hoping to boost its barley production above the 955,000 tons realized in 1976 through greater use of improved varieties and by upping the barley support price to match that for soft wheat, a competitive crop.

Although wheat output is expected to remain at the 1976 level of 2.4 million tons, special emphasis will be placed on increasing the Durum crop because of good export prospects. Higher support prices are expected to spur the shift toward Durum, which totaled about 450,000 tons in 1976, Phillipsen said.

The new oriental tobacco program is designed to increase production of varieties enjoying the best export demand. Oriental tobacco accounted for 112,000 tons of Greece's total tobacco output of 127,000 tons in 1976.

Cotton production, totaling 130,000 tons in 1976, is expected to expand through Government efforts to increase cotton growers' incomes, to expand group farming, and to provide financial help for equipment to mechanize production.

A rise in the 1977 outturn of edible pulses—lentils, chick peas, and kidney beans—is being encouraged by the promise of higher support prices, continual subsidies for use of improved seed varieties, and subsidizing purchases of modern equipment. The 1976 production of edible pulses amounted to 66,000 tons, according to Phillipsen. Greece, striving for self-sufficiency in pulses, imported an average of nearly $8 million in pulses during 1973-75, with about one-third of this coming from the United States.

Because of a favorable export outlook at the beginning of 1977, production of early (spring) potatoes will be increased from the 321,000 tons produced in 1976, with a corresponding reduction in summer potatoes, from the 336,000 tons of 1976. The fall crop is to remain at 1976's level of 270,000 tons.

The limitation on tomatoes for canning will be relaxed in 1977 to allow production of about 700,000 tons of fresh tomatoes, an upturn of 200,000 tons over 1976's. Prices paid to tomato growers will be guaranteed by contract, Phillipsen reported.

The 1977 sugarbeet crop also is to be kept at the year-earlier level of about 2.6 million tons, while rice production —92,000 tons a year earlier—is projected to be lowered until supply and demand are more in balance.

The farm program's objectives for horticultural crops are:

- Reduce "Washington Navel" orange production with a corresponding expansion of more desirable varieties.
- Increase production of early maturing lemon varieties.
- Stop expansion in peaches and apricots, but rearrange the varietal composition of these crops to extend the harvesting season.
- Move apple orchards from the plains areas to mountainous and semi-mountainous areas to improve quality.
- Partially replace "Krystalli" and "Coscia" pear varieties with better ones.
- Expand output of certain varieties of wine grapes in areas designated by the Ministry of Agriculture, replace poor wine grape varieties to improve the quality of wine, and limit expansion of table grape cultivation to encourage improvement in quality.
- Continue the uprooting of currant grape vineyards located on irrigated

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FARM OUTPUT, TRADE BOOM STILL CONTINUES IN BRAZIL

Even the worst coffee shortfall in portwar years has failed to brake Brazil's agricultural boom, which continued through 1976 and promises to pick up momentum in 1977. And with world prices for its top exports on the upswing, Brazil could possibly displace France this year as the No. 2 exporter of farm products, while becoming further entrenched as a major U.S. competitor in world markets.

Current estimates place those Brazilian farm exports at nearly $6.1 billion in 1976, for a 25 percent jump over 1975's, and foresee a possible gain to $9 billion in 1977. Rising prices for coffee and soybeans, which together accounted for two-thirds of Brazil's 1976 exports, will foster this expansion, as will some recovery in the Brazilian coffee crop from the freeze damage of 1975. Also giving impetus to trade will be higher prices for cocoa and larger volume shipments of corn, tobacco, cotton, rice, citrus products, and a wide variety of other farm products.

Farm products, in fact, today account for the bulk of Brazil's export trade, in 1976 supplying over 60 percent of the $10 billion in export earnings. Agriculture also provides the raw materials for the textile, leather-goods, and several other industries that account for a large share of manufactured-product exports.

These rising farm exports helped Brazil reduce its trade deficit to $2.3 billion last year from the $3.5 billion of 1975, with some added help coming from Government curbs on agricultural and industrial imports. But the combination of large exports and rising farm incomes simultaneously fueled inflation, and the country ended 1976 with a nearly 50 percent jump in its general price index and a similar gain in food prices.

The Government thus has the rather paradoxical goal of rapidly expanding farm production and exports during 1977, while also reducing economic growth to about half 1976's 8.8 percent and trimming farm programs that have done much to stimulate farm production and trade.

Brazil this year also is committed to continuing the import restraints that helped reduce its trade deficit in 1976. These restrictions include:

- Licensing requirements;
- High import duties on most items;
- An import deposit requirement, extended through 1977, that requires a 100 percent deposit to be held for 360 days prior to importing; and
- A ban on imports of certain products in which the country is either self-sufficient or attempting to protect emerging domestic industries.

By applying such restrictions simultaneously with incentives to boost domestic farm production, Brazil has been able to narrow its agricultural imports to a few products in which it is not yet self-sufficient. Such imports probably totaled less than $1 billion in 1976, with wheat—the big item on the import ledger—accounting for about $500 million of the total. Other important imports are black beans and a variety of items, such as seed and breeding livestock, linked to expansion of domestic agricultural production.

While impeding U.S. sales of fruits, vegetables, and other products covered by the import ban, Brazil's import restrictions through 1976 were not fully reflected in total U.S. farm exports to Brazil. The reason was that Brazil last year had to import large quantities of U.S. wheat to compensate for a short domestic wheat crop in 1975. As a result, Brazil took about $255 million worth of U.S. farm products in 1976, compared with $323 million in 1975, and ranked as the No. 3 U.S. farm market in Latin America behind Mexico and Venezuela.

Wheat accounted for about 90 percent of that U.S. trade, followed at a distance by live animals, seeds, hops, and dried peas.

This year will not see a repeat of the good 1976 U.S. showing, however, since a record 1976 wheat crop has reduced Brazil's import needs. And Argentina—with a record crop of its own—is in position to supply, at lower prices, a larger share of the wheat imports needed by Brazil.

The United States, of course, cannot count on gaining ground in sales of other products in view of Brazil's tightened restrictions on so-called nonessential imports.

The Brazilian Government, meantime, is hoping that the strong growth recorded by most of the country's agriculture last year will continue in 1977.

During 1976, Brazil's farm output increased 4.2 percent, according to official Brazilian sources, even in the face of production setbacks in the northeast due to drought and a 60 percent drop in coffee production. Excluding coffee, whose poor performance came as a result of devastating frost in July 1975, crop production last year jumped 9 percent, with even larger increases in major export crops such as soybeans and corn. Brazilian sources also report that livestock output gained an impressive 12.2 percent from the 1975 level.

Preliminary forecasts point to further gains in production of soybeans, grains, and cotton this year, as well as a partial recovery in coffee. Also, record output of animal products is expected, with the largest increases likely to come in the dairy and poultry industries, followed by a sizable expansion in beef and pork production.

In central and southern Brazil, most of the 1977 crops have already been planted, with area up substantially and weather so far favorable. And crop area in all of Brazil is estimated up about 3.4 million hectares from that of 1976, bringing the total to 48.6 million.

Highlights for some of the leading export and import crops follow.

Coffee. The extensive freeze that severely affected Brazil's coffee trees on July 17-18, 1975, resulted in a sharp decline in coffee production last year. From 27.3 million and 23 million bags (60 kg each), respectively, in 1974 and 1975, coffee production plunged to only about 9.5 million bags in 1976.

By drawing down on stocks, Brazil was able to export 849,000 metric tons of coffee in calendar 1976 and—with coffee prices soaring to alltime highs—to earn a record $2.39 billion from these exports. This was 2½ times the $951 million earned from 1975 exports of 813,000 tons and enough

to rank coffee ahead of soybeans as Brazil's No. 1 export.

Tight coffee supply prospects indicate high prices for the remainder of 1977—and thus strong export earnings again despite reduced availabilities for export this year. As of February 15, these prices stood at over US$2.50 per pound of green coffee beans, compared with only about 60 cents per pound prior to the July 1975 freeze.

Soybeans. Next to the United States, the world's largest producer and exporter of soybeans, Brazil last year continued its phenomenal soybean-crop expansion of recent years. Output of the crop rose 1.3 million tons above 1975's to a record 11.2 million tons, and another sharp gain to 12.6 million tons is seen for 1977.

Exports of soybeans, meal, and oil last year totaled 3.7 million, 4.4 million, and 488,000 tons, respectively. These exports earned a total of $1.8 billion in foreign exchange—a far cry from $71 million in 1970—and provided stiff competition for U.S. soybeans and products in major world markets such as France, West Germany, the Netherlands, and Japan. For 1977, a further gain to $2.5 billion is anticipated, retaining for soybeans the second place after coffee as an export earner.

Wheat. Production of wheat in 1976 is estimated at 3.1 million tons, up from the unusually small 1975 crop of 1.55 million but far short of the Government goal of 4.5 million. Frost, excessive rains, and disease problems reduced the crop from early-season expectations, but it still is a record for Brazil—and an example of the country's determination to gain self-sufficiency in wheat.

To compensate for the poor 1975 wheat crop, Brazil last year imported over 3.4 million tons of wheat at a cost of about $500 million. Nearly half of these imports came from the United States, while Canada and Argentina were the other major suppliers. Imports during 1977 are expected to total about 3.1 million tons, with Argentina likely to be the largest supplier followed by the United States and Canada.

Corn. Another compelling goal for Brazil is to make corn a leading export crop, and through 1976 the country had made strong strides in this direction. The 1976 corn harvest (March-June) is estimated at a record 17.3 million tons—up 8 percent from the 1975 crop despite some disappointing results due to dry weather in producing regions, which include the drought-stricken northwest. Hopes are high, nonetheless, that output will gain another 10 percent to 19 million tons in 1977.

Expressing the general optimism about corn, Agriculture Minister Paulinelli has said that he expects corn output to increase by 2 million tons a year from here on out and to "repeat the phenomenon of soybeans."

Brazil's corn exports in calendar 1976 are estimated at 1.37 million tons valued at $165 million, against 1.15 million valued at $151 million in 1975. Principal markets are the USSR and Spain. Japan, a new customer, took 61,000 tons through September of the 1976/77 (April-March) marketing year.

Exports in the 1977/78 season are forecast at 2-3 million tons, but they could be hampered by relatively low world prices, plus the high cost of moving corn from farm to port. In a recent interview, the director of the Government's minimum price agency (CFP) stated that the f.o.b. price would have to be US$125 per ton to permit exports, although indications are that exports would probably continue to move at a somewhat lower price. Also Agriculture Minister Paulinelli stated that if low prices begin to handicap exports some way will be found to help reduce the high cost of moving corn to port. Unlike soybeans and several other of the leading export crops, corn as yet has received no export incentives.

Tobacco. Brazil's 1976 cigar and cigarette leaf tobacco crop, including twist, is estimated at 258,000 metric tons—about 16 percent below what had been expected earlier this year and 28,000 tons under 1975 production. The decline came as a result of unfavorable weather beginning with heavy rains early in the season that leached fertilizer applications. A gain to 313,000 tons is tentatively forecast for 1977.

Brazilian exports of cigarette leaf in calendar 1976 are estimated at about 100,000 tons valued at $161 million, against 98,000 at $142 million in the 1975, with the European Community, the United States, and Spain the leading markets. Shipments are expected to show another gain in 1977.

Sugar. The Sugar and Alcohol Institute's sugar production plan for 1976/77 (June-May) set the maximum authorized production of all types of sugar at 7.8 million tons. However, lower field and industrial yields caused by drought in some areas and heavy rains in others probably will prompt a reduction in output to about 7.08 million tons.

Brazil's top foreign exchange earner when world sugar prices approached their peak of nearly $1.50 per kilogram in 1974, sugar by 1976 had fallen to a relatively modest export position, earning just over $300 million, compared with more than $1 billion in 1975.

Cocoa. Production of cocoa in the 1976/77 (October-September) marketing year is expected to approximate the 1975/76 outturn of 257,400 tons but will be slightly below the alltime high of 267,000 in 1974/75. Cocoa—like coffee—is currently benefiting from high world prices, which could put 1977 exports of cocoa and products above the $357 million of 1976.

Several factors are contributing to Brazil's rapid agricultural growth. Foremost among these is the top priority position assigned to the farm sector by the Brazilian Government, and the wide variety of Government production incentives and development programs that have been initiated in the last 2-3 years. President Ernesto Geisel himself has taken the lead in fostering agricultural production and exports, and has stated repeatedly that agriculture is the country's top priority.

Another, and increasingly important, factor behind the current expansion is massive domestic and foreign investment in the agricultural sector and supporting industries such as farm machinery, fertilizer, agricultural chemicals, and food processing. Brazil's rapidly growing soybean industry, in particular, has attracted the attention of investors from all over the world, and many are seeking a "piece of the action." More recently, investor interest in Brazil's livestock and poultry industries has increased.

Expected strong demand for agricultural products at home and abroad in future years will likely keep the current production momentum going. Brazil has additional land re-

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U.S. Farm Exports Hit $23 Billion in 1976

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During calendar 1976, the value of U.S. agricultural exports jumped by more than $1 billion to $23 billion. The commodities providing this increase were animal products, corn, soybeans, oilcake and meal, and vegetables.

The overall quantity index gained 11 percent to 174 percent of 1967, and the price index fell 6 percent to 207.

Grains, soybeans, and vegetable oils pushed the export price index down. Unit values of cotton and cattle hides were sharply higher, and the tobacco unit value was up 5 percent. Unit values of other major commodity groups were generally unchanged from those prevailing in 1975.

U.S. agricultural imports, valued at $11 billion during 1976, were up 18 percent in value. About two-thirds of the increase is attributable to higher coffee prices. Import prices for tobacco also were up sharply. Both volume and value increased for meat, vegetables, and wine. Sugar import volume gained almost a fifth from 1975's very low level, while the unit value fell by half.

The U.S. agricultural trade surplus again exceeded $12 billion in 1976. However, the United States had a record-high $19-billion trade deficit for nonagricultural products.

Five developments had major impacts on U.S. agricultural exports during 1976:

- Following the 1974 shortfall, U.S. crop output was a record high in 1975 and 1976. The crop production index totaled 122 (1967=100).
- Per capita food production increased in 1976 in both the developed and developing countries.
- Meat production increased sharply in leading exporting countries and marginally in Western Europe, Japan, and Canada.
- The effects of the Soviet Union's disastrous 1975 grain crop continued to be felt in 1976. Of the resulting purchases, most wheat was shipped in 1975 and corn in 1976. The Soviets' recordbreaking 1976 grain crop also has sizable repercussions on the U.S. grain trade.
- During the first quarter of 1976, the major developed countries achieved strong economic recovery. Since that time, the pace of growth has slowed, and unemployment and inflation remain at worrisome levels. A disappointing 4-percent real economic growth rate was achieved in those developing countries that do not export oil.

During 1976, U.S. wheat exports dropped 13 percent in volume and 24 percent in value. South Asia, Western Europe, and the USSR cut imports of U.S. wheat sharply in 1976.

U.S. feedgrain exports attained record highs in 1976—51.6 million tons and $6.0 billion. The export unit value, at $117 per ton, was 11 percent below 1975's. Shipments to the European Community (EC) and the Soviet Union accounted for most of the increased volume.

In the face of a plentiful world rice supply, U.S. rice exports remained near 1975's 2.1 million tons. Parboiled rice shipments were up 40 percent in volume.

U.S. rice exports were maintained in 1976 in part by expanded P.L. 480 shipments to Indonesia. Rice planting in Indonesia had been delayed by drought.

U.S. oilseed and oilseed product exports gained 14 percent in value in 1976, despite generally lower prices.

The biggest boost came from soybean exports, which jumped to a record 15.3 million tons in 1976. The unit value dropped from $229 per ton to $216. Shipments increased to the leading markets except Taiwan.

U.S. oilmeal exports were up 28 percent in 1976 from the low 1975 volume. Large increases were recorded for shipments to West Germany, Italy, Poland, the Netherlands, and Spain.

U.S. vegetable oil exports were up 20 percent in volume in 1976. Larger shipments to India and Pakistan offset declines to other markets.

During 1976, U.S. exports of animals and animal products were valued at $2.4 billion, up from $1.7 billion in 1975. Hide and skin exports, valued at $518 million (up 78 percent), were the largest contributor to the total export value during the year.

The volume of inedible tallow and grease exports was 16 percent above the 1975 level, as the increased demand for plastics and tires in the EC automobile industry helped raise tallow and grease shipments to that area.

The total value of poultry and egg exports rose 63 percent to $251.4 million, largely because of increased shipments of chicken meat (up 111 percent) to Iraq, Japan, Hong Kong, and Canada.

U.S. cotton export volume in 1976 was 11 percent below 1975's 870,000 tons. However, during the last 4 months of the year, exports were 34 percent above those of a year earlier. The export unit value averaged $1,350 per ton, up 18 percent from 1975's.

U.S. exports of fruits, nuts, and vegetables were up 20 percent in value in 1976. Strong volume growth was recorded for most commodity groups, including almonds, walnuts, canned and fresh vegetables, fresh and dried fruits, and potatoes. Export volume of fresh potatoes tripled, and exports of dehydrated potato products were up 464 percent.

The value of U.S. agricultural exports to the EC (not including transshipments through Canada) gained 15 percent in 1976 to total $6.42 billion. Value increases were achieved in exports to all member countries.

This increase is largely attributable to last summer's European drought. Feedgrain, forage, and fodder output was reduced substantially, as well as some vegetable crops. Demand for imported feeds expanded.

In 1976, U.S. feedgrain exports to the EC were up a third to 17.2 million tons. Soybean shipments were up 25 percent in volume, while oilcake and meal shipments rose 11 percent. The export value of other prepared feeds and fodder was 85 percent above 1975's.

U.S. agricultural exports to Japan rebounded sharply from 1975's reduced value. At $3.56 billion, shipments to Japan outstripped U.S. farm exports to the second-largest market (the

Netherlands) by over $1.6 billion.

Economic recovery and a strengthened livestock industry were the major factors behind Japan's expanded imports. Shipments of all the major traded commodities increased significantly. Exports of U.S. corn were up 20 percent in volume; wheat, up 13 percent; and soybeans, up 11 percent.

The value of U.S. animal and animal product exports to Japan rose 52 percent in 1976 to $474 million. This increase reflected an expansion in shipments of cattle hides, fats and greases, and meat. Relaxed Japanese import restraints led to shipments of 16,000 tons of beef and 54,000 tons of pork from the United States.

U.S. agricultural exports to Canada increased from $1.3 billion to $1.5 billion in 1976. Animal and animal product exports, benefiting from relaxed Canada-U.S. trade restrictions, accounted for about three-fourths of this growth. Live animal shipments were up 49 percent in value. Shipments of poultry and poultry products were up 79 percent. Pork shipments were up 115 percent in volume to 73,000 tons, valued at $125 million.

The Soviets imported large quantities of grains in 1976 to support their livestock industry, which they were attempting to maintain, despite disastrous 1975 crops. Late in the year, the record 1976 grain harvest softened Soviet import demand.

U.S. agricultural exports to the USSR totaled $1.49 billion, 31 percent above the 1975 level. This total included 8.8 million tons of corn, 1.7 million tons of wheat, 571,000 tons of soybeans, and 52,000 tons of rice.

Parts of Eastern Europe suffered drought and disappointing harvests in both 1975 and 1976. As a result, the East European countries have greatly expanded their imports of U.S. grains, soybeans, and oilmeal.

Direct U.S. agricultural exports to Eastern Europe rose 50 percent in value to $927 million in 1976—despite the lower grain prices. Wheat exports rose 142 percent to 1.25 million tons. Feedgrain exports were up 66 percent to 3.44 million tons.

These data undoubtedly understate the extent of East European imports of U.S. agricultural products. It is estimated that in recent years over a fifth of U.S. agricultural exports to Eastern Europe have been transhipped through Western Europe.

U.S. agricultural exports to Latin America were valued at $1.94 billion in 1976, down from $2.28 billion in 1975. Reductions in shipments to Mexico, Peru, and Brazil accounted for the decline.

U.S. agricultural exports to east and southeast Asia (excluding Japan and the People's Republic of China) increased slightly to $2.1 billion in 1976. The value of exports to Korea remained at $830 million. Exports to Taiwan declined 16 percent in value. Large increases were recorded in the value of exports to Indonesia, Thailand, and Hong Kong.

U.S. cotton exports to this region were down 12 percent in volume. Soybean and rice exports were down fractionally. Offsetting these declines were large volume increases for wheat, corn,

U.S. agricultural exports to North Africa and the Middle East declined 18 percent to $1.59 billion in 1976. In both of these areas, good weather and development projects have led to expanded agricultural production during the past 2 years.

Agricultural exports to Iran fell 44 percent in value in 1976, and exports to Israel fell 15 percent. Shipments to Egypt rose 7 percent to $454 million.

U.S. AGRICULTURAL EXPORTS: VOLUME BY COMMODITY, 1973-76

Commodity	1973	1974	1975	1976	1975/1976 change
	1,000 M.T.	*1,000 M.T.*	*1,000 M.T.*	*1,000 M.T.*	*Percent*
Wheat and products	38,776	26,242	32,053	27,781	−13
Feed grains and products	41,904	37,472	40,383	51,559	+26
Rice	1,630	1,725	2,138	2,106	− 1
Soybeans	13,221	13,940	12,496	15,332	+23
Oilmeal	4,792	5,157	3,950	5,043	+28
Vegetable oils	1,032	963	858	1,027	+20
Cotton, excluding linters	1,244	1,171	870	777	−11
Tobacco	290	313	263	268	+ 2
Total	102,889	86,983	93,011	103,893	+12

U.S. AGRICULTURAL EXPORTS: VALUE BY COMMODITY, 1973-76

Commodity	1973	1974	1975	1976	1975/76 change
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Animals and animal products:					
Dairy products	60	76	148	142	− 4
Fats, oils, and greases	333	585	360	443	+23
Hides and skins, excl. fur skins	375	337	407	694	+70
Meats and meat products	374	301	432	617	+43
Poultry and poultry products	120	138	158	262	+61
Other	322	339	187	222	+19
Total	1,584	1,776	1,692	2,380	+41
Grains and preparations:					
Feedgrains, including products	3,577	4,698	5,283	6,023	+14
Rice	539	852	858	629	−27
Wheat and major wheat products	4,200	4,634	5,353	4,087	−24
Other	165	127	126	136	+ 8
Total	8,481	10,311	11,620	10,875	− 6
Oilseeds and products:					
Cottonseed and soybean oil	237	695	466	368	−21
Soybeans	2,762	3,537	2,865	3,315	+16
Protein meal	985	999	672	899	+34
Other	324	478	449	488	+ 9
Total	4,308	5,709	4,452	5,070	+14
Other products and preparations:					
Cotton, excluding linters	929	1,335	991	1,049	+ 6
Tobacco, unmanufactured	714	886	877	939	+ 7
Fruits and preparations	535	596	699	700	+10
Nuts and preparations	121	156	169	198	+17
Vegetables and preparations	373	473	504	674	+34
Other	635	757	880	1,110	+26
Total	3,307	4,203	4,120	4,670	+13
Total	17,680	21,999	21,884	22,995	+ 5

Zaire Asks Foreign Managers To Raise Export Crop Output

Above, Zairian mill representatives examine imported U.S. cotton. Left, Zairian girl picking coffee.

ZAIRE IS TRYING to increase its exports of farm products by returning control of expropriated plantations to their former owners, and by encouraging farm workers to return to the land.

But the return of most of these skilled managers will not be noticed immediately since, even before Zairianization in 1973, Zaire's production of coffee, tea, cocoa and palm oil—its major export crops—was on a downtrend, with the agricultural production index showing a loss of 14 percent between 1970 and 1976.

Agriculture's share of total exports has dropped from 39 percent in 1959 to 10 percent in 1975. Larger coffee exports in 1976 will probably reverse the trend, although most other products will continue to decline.

After having put expropriated properties under Government-appointed managers in 1973, Zaire soon realized they were incapable of maintaining former production levels. On November 24, 1975, the 10th anniversary of the present Government, President Mobutu acknowledged that although Zairianization is correct in theory, the program had not worked in practice. So the Government invited 83 firms, whose holdings had been taken over, to return. A 40-percent ownership share was offered the returnees; compensation was to be paid for the remaining 60 percent.

Few managers wanted to return to Zaire under these conditions. They demanded a majority equity ownership, and in September 1976, the Government agreed to a 60 percent share for

the previous owners and a 40 percent share for the Government. So it is likely a larger number of foreign managers will return in the future.

The surge of farmers away from the land started after they realized that selling for the cash market was fruitless since there were either few customers or no goods to buy with their earnings. Many farmers gave up their holdings and moved their families to nearby cities, swelling urban population, and causing a shortage of laborers on commercial plantations.

The Government has tried various tacks to get laborers to return to the farm, promising both a better life and threatening punishments. So far, both have generally proved unsuccessful. However, it is likely that many will return to their home villages once the word trickles down that plantation management is again under the original administrators, that work is truly available, and that goods will be available for purchase.

Output of one product that could gain immediately from the return of skilled foreign managers is that of palm oil, whose production in calendar 1976 is estimated at just 155,000 metric tons, 6.45 percent less than the 1975 outturn. But managers in this sector still face a number of problems that will require great ingenuity to solve.

While the number of plantation laborers will probably increase, there will still not be enough independent cutters. Also, the aging of palm trees has resulted in lower yields of fruit and oil. And may cutters hesitate to climb to the top of some trees, which have grown exceedingly tall.

Palm producers, along with other plantation managers, face short-term shortages of fertilizer and pesticides, and long-term problems such as deterioration of transport facilities as a result of poor maintenance, a shortage of skilled mechanics, spare parts, and foreign exchange.

Between January and September 1976, Zaire exported 32,605 tons of palm oil, 15,965 tons of palm kernel oil, and 23,584 tons of palm kernel cake. In the same period the previous year, the totals had been 40,372 tons of palm oil, 21,936 tons of palm kernel oil, and 14,948 tons of palm kernel cake.

Sugar production has stagnated at between 60,000 and 70,000 tons, this being the maximum capacity of the country's two sugar complexes under present operating conditions. As a result, some 20,000 tons of sugar must be imported annually to satisfy demand. As of late December 1976, some 6,000 metric tons of sugar had been imported from Rhodesia. Other imports also were made.

The return of foreign managers to the coffee plantations has brought an immediate and marked improvement in the condition of the holdings. And even more heartening is the now current belief that the country may be capable of producing more coffee than earlier believed possible.

Coffee production has been on an erratic course in recent years. From 79,000 tons in 1973/74, output fell by 10,000 tons in 1974/75 largely because of Zairianization—but sprang back to 83,000 in 1975/76. Although some hidden stocks were shipped to make up the difference between production and export needs, great credit is given to producers for boosting 1975/76 output. And there are many who believe Zaire's coffee crops will continue to grow, at least in the immediate future.

Coffee exports hit about 95,330 tons in the 1975/76 marketing year, and Government officials have been searching for reasons to explain this high level. At first they laid the increase to earlier hoarding by producers and to illegal importations from Uganda and Angola. But now they say that coffee production has growth potential they were unaware of.

Calendar 1976 coffee exports may also exceed 95,000 tons.

Not so promising, however, is Zaire's cotton outlook. In fact, some say it is catastrophic. The country's low production level caused Zaire to switch from net exporter to net importer of lint cotton in 1976, largely because of the breakdown of the input distribution system. ONAFITEX, the Government agency responsible for the promotion of cotton production and marketing, estimated that some 8,000 tons of seed cotton purchased as far back as 1973, is deteriorating in collection centers and at cotton gins. Unknown quantities also have degenerated at producer storage units. And each year, thousands of man-hours are wasted preparing cottonland for which seed is not made available in time for planting.

Two of Zaire's major mills closed in September and October 1976 for a month or so because of the shortage of cotton fiber. Three other mills also have been operating at less than full capacity. However, some improvement may take place because more and more mills are taking over some of the cotton production functions.

In calendar 1975, Zaire exported 927 tons of cotton, but a year later imported 2,800 tons from the United States under P.L. 480, to keep the Kinshasa textile mill in operation. Whether Zaire will continue to be a net importer depends on the success the cotton mills are able to achieve in handling production, collection, and ginning.

One of the major crises facing the country is the shortfall in food crops, mostly grown by small farmers. In this area, imports are large as domestic production fails to keep up with the growth of the urban population. The shortage of foreign exchange is the only factor braking the demand for larger food imports.

Wheat and rice imports in fiscal 1976 were 118,342 and 69,062 tons, respectively, compared with 109,382 and 10,114 tons in fiscal 1975. The growth in wheat imports reflects the rising importance of bread as a substitute for manioc and corn in the urban areas.

Zaire's imports of U.S. Hard Winter wheat increased from 90,712 tons in calendar 1975 to 121,752 in 1976, and are expected to reach 144,000 tons in calendar 1977.

—Based on report from
Office of U.S. Agricultural Attaché
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Brazilian Agriculture

Continued from page 7

sources for continued rapid agricultural expansion. Also, yields on most land currently in production could be increased sharply by greater use of readily available technology. On the negative side, lack of railroads, farm-to-market roads, storage faciilties, improved seeds, and fertilizers, particularly in the frontier areas, are serious problems. Also, shortages of agricultural technicians and trained workers will continue to act as severe production constraints for the foreseeable future.

The Brazilian Government is expected to continue to give priority to agriculture in the years ahead as part of the comprehensive program underway to solve the country's lingering balance-of-payment problem and combat the high domestic inflation rate.

Yet, from a federal budget standpoint, Brazilian agriculture will not fare quite as well in 1977 as in the last 2-3 years. As part of its effort to reduce inflation, the Government has adopted a broad policy of fiscal restraint, and 1977 budget increases for several Ministry of Agriculture programs are not sufficient to compensate for price increases. A number of other ambitious agricultural development programs will advance at a slower rate in 1977 than originally programmed.

Expansion of agricultural exports will continue to be encouraged by a variety of Government production and export incentives to offset rising oil imports and purchases of a wide variety of other items needed for further industrialization. Emphasis is expected to be given to soybeans, coffee, cocoa, sugar, corn, tobacco, cotton, citrus products, and poultry and red meat products.

Import substitution programs will also continue to receive priority attention. Examples are the domestic wheat expansion program—aimed at self-sufficiency—and the National Alcohol Program which provides incentives for the production of alcohol from sugarcane and manioc for mixture with gasoline. This major program envisions the production of 4 billion liters of alcohol annually by 1980. A total of $1.6 billion is expected to be invested in this comprehensive program over the next few years in an effort to reduce Brazil's large oil import bill.

Brazil's farm production and export boom will have far-reaching effects on future world trade in a wide variety of agricultural products. No other country in the world has increased agricultural exports more rapidly than has Brazil in the last 2-3 years. Also, no other country in the world produces a wider variety of agricultural products in significant quantities. These factors, combined with strong Government support and Brazil's untapped agricultural resources, point toward a sharp expansion of exports in the years ahead.

—Leon G. Mears
U.S. Agricultural Attaché, Brasilia

Greek Farm Policy

Continued from page 5

land while enacting measures to improve the crop's quality, and encouraging better production practices.

- Discourage further expansion of olive groves.

Also, new Government measures will establish local markets where farmers can sell fruits and vegetables at auction. Foreign experts are to be invited to help the Ministry of Agriculture and farmer cooperatives during the creation of these markets, Phillipsen reported.

The proposed programs under the new agricultural policy will take several years to implement. The reclaimed land, from drained lakes in the Karla, Lesini, and Agoulinitsa Provinces, will be allocated to landless farmers living in neighboring areas after these farmers are organized into farming groups.

About $5 million has been earmarked by the Greek Government for accelerating the increase in irrigated areas from the current 24,000 hectares a year to 40,000 hectares annually by 1981.

The promotion of land consolidation would be achieved through a law that includes financial incentives for the purchase, sale, or exchange of land. The new farm policy also calls for the abolishment of the transfer tax on four or less hectares when the land is bought by professional farmers. The tax would remain in effect on the purchase of more than four hectares of farmland.

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